# A BILL FOR AN ACT

RELATING TO TAXATION.

### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

- 1 SECTION 1. The legislature finds that there is a great
- 2 need for Hawaii to develop and support manufacturing in the
- 3 State. At the same time, there is a great demand outside the
- 4 State for products that are made in Hawaii.
- 5 The purpose of this Act is to promote manufacturing in
- 6 Hawaii by establishing a temporary income tax credit for
- 7 taxpayers who incur expenses for manufacturing products in
- 8 Hawaii.
- 9 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
- 10 amended by adding a new section to be appropriately designated
- 11 and to read as follows:
- 12 "\\$235- Manufacturing tax credit. (a) There shall be
- 13 allowed to each taxpayer subject to the tax imposed by this
- 14 chapter, an income tax credit, which shall be deductible from
- 15 the taxpayer's net income tax liability, if any, imposed by this
- 16 chapter for the taxable year in which the credit is properly
- 17 claimed.

1	(b) The amount of the credit shall be per cent of		
2	the qualified manufacturing costs incurred during the taxable		
3	year; provided that the total credit claimed per taxpayer shall		
4	not exceed \$ .		
5	In the case of a partnership, S corporation, estate, or		
6	trust, the tax credit allowable is for qualified manufacturing		
7	costs incurred by the entity for the taxable year. The cost		
8	upon which the tax credit is computed shall be determined at the		
9	entity level. Distribution and share of credit shall be		
10	determined by section 704 of the Internal Revenue Code.		
11	If a deduction is taken under section 179 (with respect to		
12	election to expense certain depreciable business assets) of the		
13	Internal Revenue Code, no tax credit shall be allowed for those		
14	costs for which the deduction is taken.		
15	The basis of eligible property for depreciation or		
16	accelerated cost recovery system purposes for state income taxes		
17	shall be reduced by the amount of credit allowable and claimed.		
18	(c) If the tax credit under this section exceeds the		
19	taxpayer's income tax liability, the excess of the tax credit		
20	over liability may be used as a credit against the taxpayer's		
21	income tax liability in subsequent years until exhausted. Every		
22	claim, including amended claims, for a tax credit under this		
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1	section s	hall be filed on or before the end of the twelfth month	
2	following	the close of the taxable year for which the credit may	
3	be claime	d. Failure to comply with the foregoing provision	
4	shall constitute a waiver of the right to claim the credit.		
5	(d)	The director of taxation:	
6	(1)	Shall prepare any forms that may be necessary to claim	
7		a credit under this section;	
8	(2)	May require the taxpayer to furnish information to	
9		ascertain the validity of the claim for credit made	
10		under this section; and	
11	(3)	May adopt rules pursuant to chapter 91 to effectuate	
12		the purposes of this section.	
13	(e)	The department of business, economic development, and	
14	tourism s	hall:	
15	(1)	Maintain records of the total amount of qualified	
16		manufacturing costs for each taxpayer claiming a	
17		<pre>credit;</pre>	
18	(2)	Verify the amount of the qualified manufacturing costs	
19		<pre>claimed;</pre>	
20	(3)	Total all qualified manufacturing costs claimed; and	
21	(4)	Certify the total amount of the tax credit for each	
22		taxable year.	

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         Upon each determination, the department of business,
 2
    economic development, and tourism shall issue a certificate to
 3
    the taxpayer verifying the qualified manufacturing costs and the
 4
    credit amount certified for each taxable year.
 5
         The taxpayer shall file the certificate with the taxpayer's
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    tax return with the department of taxation. Notwithstanding the
    department of business, economic development, and tourism's
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8
    certification authority under this section, the director of
9
    taxation may audit and adjust certification to conform to the
10
    facts.
11
         (f) As used in this section:
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         "Net income tax liability" means income tax liability
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    reduced by all other credits allowed under this chapter.
14
         "Qualified manufacturing costs" means expenditures for:
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         (1)
              Costs incurred to purchase equipment to be used in
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              manufacturing tangible personal property in the State;
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            and
         (2) Costs incurred to train employees to manufacture
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19
              tangible personal property in the State;
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    provided that "qualified manufacturing costs" does not include
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    any costs for which another credit is claimed under this
22
    chapter."
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## S.B. NO. 3082 S.D. 2

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2050;

provided that:

(1) Section 2 shall apply to taxable years beginning after

December 31, 2014; and

(2) This Act shall be repealed on January 1, 2023.

### Report Title:

Manufacturing Tax Credit

### Description:

Establishes an income tax credit for taxpayers who incur certain expenses for manufacturing products in Hawaii. Effective 7/1/2050. Repeals 1/1/2023. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.